

Message Text

CONFIDENTIAL

PAGE 01 TEL AV 00740 031133Z

53

ACTION NEA-09

INFO OCT-01 EUR-12 ISO-00 SS-15 L-02 NSC-05 AID-05 CEA-01

CIAE-00 COME-00 EB-07 FRB-03 INR-07 NSAE-00 RSC-01

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R 031023Z FEB 75

FM AEMBASSY TEL AVIV

TO SECSTATE WASHDC 5474

INFO USMISSION EC BRUSSELS

AMEMBASSY AMMAN

AMEMBASSY BERTUT

AMEMBASSY CAIRO

AMEMBASSY ALGIERS

AMEMBASSY DAMASCUS

AMEMBASSY MADRID

AMEMBASSY RABAT

AMEMBASSY TUNIS

AMCONSUL JERUSALEM

C O N F I D E N T I A L TEL AVIV 0740

E.O.11652: GDS

TAGS: ETRD, IS

SUBJECT: ISRAEL'S FREE TRADE AGREEMENT WITH EUROPEAN
COMMUNITIES

REF: TEL AVIV 4170 AND 7059, EC BRUSSELS 9967,
8467 AND 178

1. WE HAVE BEEN GIVEN ONCONFIDENTIAL BASIS GOI IN-HOUSE
MEMORANDUM DESCRIBING EC/ISRAEL AGREEMENT INITIALLED
JAN 23, 1975, ISRAELIS HOPE THAT AGREEMENT, WHICH WILL
EVENTUALLY CREATE AN INDUSTRIAL FREE-TRADE AREA BETWEEN
ISRAEL AND THE EC NINE, CAN BE SIGNED AND RATIFIED SOMETIME
THIS SUMMER, AT LEAST BEFORE PRESENT AGREEMENT WITH EC
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PAGE 02 TEL AV 00740 031133Z

EXPIRES ON SEPT 30.

2. OBVIOUSLY, HOWEVER, TIMING OF FURTHER STEPS WILL DEPEND AT LEAST IN PART ON PROGRESS IN EC'S NEGOTIATIONS WITH MAGHREBSTATES, SPAIN AND ALSO NEIGHBORING STATES OF EGYPT, JORDAN, SYRAI AND LEBANON. ISRAELIS HOPE THAT EC COUNCIL OF MINISTERS WILL SHORTLY APPROVE MANDATE TO NEGOTIATE AN ADDITIONA FINANCIAL PROTOCOL GIVING ISRAEL ACCESS TO EC FINANCIAL INSTITUTIONS. ISRAEL'S NEIGHBORS WOULD PRESUMABLY ALSO BE GIVEN SUCH ACCESS.

3. IN RESPONSE TO OUR QUERY, GOI OFFICIAL SAID AGREEMENT JUST INITIALLED PROVIDES FOR REDUCTIONS IN ISRAELI TARIFFS OF FRM 15 TO 20 PERCENT ON NINE ITMES IN AGRICULTURAL SECTOR. WE AERE ALSO TOLD THAT TARIFF CUTTING WITH RESPECT TO " 60 PERCENT LIST" OFLOW OR ZERO DUTY INDUSTRIAL GOODS WITH BEGIN WITH 30 PERCENT REDUCTION EFFECTIVE WITH ENTRY INTO FORCE OF AGREEMENT AND CONTINUE UNTIL ALL TARIFFS ARE ELMINATD ON JAN 1, 1980. TARIFF ELIMINATION ON REMAINING 40 PERCENT OF INDUSTRIAL IMPORTS (THOSE OF INTERST TOU.S.) WOULD BEGIN ON JULY 1, 1977 AD END ON JAN 1, 1989.

4. FOLLWOING , IN FREE TRANSLATION FROM HEBREW, IS KEY PORTION OF GOI MEMORANDUM. FULL TEXT WILL BE POUCHED TO DEPT AND USEC.

" CONTENTS OF AGREEMENT

INDUSTRY- NEW AGREEMENTWILL BRING ABOUT CREATION OF A FREE-TRADE AREA BETWEEN ISRAEL AND NINE EEC COUNTRIES FOR INDUSTRIAL PRODUCTS. PACE OF TARIFF CUTS VARIES AS FOLLOWS: IN EEC, TARIFFS ON ISRAELI EXPORTS WILL BE REDUCED TO ZERO OVER TWO AND ONE-HALF YEARS, BY JULY 1, 1977. ISRAEL, ON OTHER HAND, WILL ENJOY LONGER INTERIM PERIOD RANGING UP TO 1980 ON RAW MATERIALS AND NON- COMPETITIVE PRODUCTS (60 PERCENT LIST), OF WHICH MOST ARE ALREADY DUTY-FREE. AS TO ARTICLES WHICH MOST ARE ALREADY DUTY-FREE. AS TO ARTICLES WHICH AR MOR SENSITIVE TO US, ISREL WILL BEGIN LOWERING TARIFFS ONLY AS OF JULY 1, 1977, AND CUTS WILL BE IMPLEMENTED OVER LEEVEN AND A HALF YEARS UP TO 1989. THIS SLOW PACE WILL BE ACHIEVED THROUGH TWO TWO-YEAR EXTENSIONS, ONE IN 1978 AND OTHER IN 1982. CONFIDENTIAL

CONFIDENTIAL

PAGE 03 TEL AV 00740 031133Z

WE GAVE SPECIAL ATTENTION TO PROBLEM OF INFANT INDUSTRIES FORWHICH POSSIBILITY WAS ATTAINED TO REIMPOSE TARIFFS TO LEVEL OF 20 PERCENT ON VOLUME OF 10 PERCENT OF OUR IMPOTS UP O JAN 1, 1984. NONETHELESS, WE SHALL HAVE TO CANCEL CUSTOMS DUTIES BY 1989. . THIS PROVISION IS IMPORTANT MAINLY FOR ATTRACTING FOREIGN INVESTORS, WHO WILL ENJOY PROTECTION IN ISRAELI MARKET WHILE BEING ABLE TO PLAN PRODUCTION SUITABLE FOR EC MARKET WHICH WILL BE OPEN TO THEM.

AGRICULTURE- IN AGRICULTURE AGREEMENT PROVIDES FOR 60 PERCENT TARIFF REDUCTION (AS AGINAST 40 PERCENT TODAY) ON ORANGES EXPORTED TO SIX ORIGIANL EEC COUNTRIES, AND 80 PERCENT REDUCTION IN THREE COUNTRIES WHICHJOINED EC AT LATER STAGE(UK, DENMARK, IRELAND). AS OF 1977/78 SEASON, 80 PERCENT REDUCTION WILL APPLY TO ALL EC COUNTRIES. TARIFF REDUCTION OF 70 PERCENT WAS ALSO EXTENDED TO CITRUS JUICES AND TO OTHER PROCESSEDAGRICULTURAL PRODUCTS. THESE REDUCTIONS WILL GO INTO EFFECT AS SOOON AS AGREEMENT BECOMES EFFECTIVE.

COOPERATIVE ARRANGEMENTS- AGREEMENT CONTAINS COOPERATION SECTION WHICH DEALS WITH PROMOTION OF INVESTMENT, TRANSFER OF TECHNOLOGICAL INFORMATION, INDUSTRIAL COOPERATION, ETC. A COMMUNIQUE IS ATTACHED TO AGREEMENT UNDER WHICH WE CAN, EVEN AFTR SIGINING OF AGREEMENT, RAISE A A LATER STAGE POSSIBILITYTO OF EXPANDED COOPERATION AND A FINANCIAL PROTOCOL IT WAS OURINTENTION TOPRESERVE ACHIEVEMENT OF PRESENT AGREEMENT WITHOUT BLOCKING WAY FOR ITS EXPANSION ATNEXT STAGE.

ASSURANCE OFEQUAL TRETMENT- OUR CONCERN TO PREVENT DIS-CRIMINATION AGAINST ISRAEL COMPARED TO TREATMENT AFFORDED SPAIN AND OUR NEIGHBORS, IF AND WHEN THEY CONCLUDE A NEW AGREEMENT WITH EEC, WAS EXPRESSED IN DECLARATION ATTAHCED TO AGREEMENT UNDER WHIH ISRAEL PRESERVES RIGH TO REEXAMINE AGREEMENT SHOULD THE BALANCE BE UNDERMINED. SAME APPLIES TO QUESTION OF COOPERATION AND ACCESS TO EC FINANCIAL INSTITUTISIONS SHOULD NEIGHBORING COUNTRIES (EGYPT, SYRIA, JORDAN AND LEBANON) ATTAIN THAT."

VELIOTES

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